

JOZINI LOCAL MUNICIPALITY



FINAL ANNUAL BUDGET 2013/2014-2015/2016

EXECUTIVE SUMMARY FOR THE JOZINI LOCAL MUNICIPALITY FOOR THE FINAL BUDGET 2013-2014 AND MTREF

The following is the executive summary for the Final Medium Term Revenue and Expenditure Framework for as prepared and tabled by the Chief Financial Officer.

1. DEFINITIONS

“Adjustment budget”-Prescribed in Section 28 of the MFMA, the formal means by which a municipality may revise its annual budget during the year.

“Allocations”-Money received from Provincial or National government or other Municipalities.

“AFS”-Annual Financial Statements

“Assessment Rates”-Local Government Tax based on the assessed value of property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

“Budget”-The financial plan of the Municipality

“Budget Related Policy”- policy of a municipality affecting or by the budget, examples include tariff policy, rates policy and credit control policy.

“Capital expenditure”- spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

“CRR”- Capital Replacement Reserve- a cash reserve set aside for future capital expenditure.

“Cash Flow Statement”- A statement showing when actual cash will be received and spend by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

“CFO”-Chief Financial Officer.

“DORA”-Division of revenue Act, an annual legislation that shows the total allocations made by National to Provincial and local Government.

“Equitable Share”- A general grant paid to municipalities. It is predominantly targeted to help with free basic service.

“FFC”- Financial and fiscal commission.

“Fruitless and wasteful expenditure”- Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

“GFS”- Government Finance Statistics, an internationally recognized classification system that facilitates for like comparison between municipalities.

“GRAP”: Generally Recognized Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

“IDP”: Integrated Development Plan, the main strategic planning document of the Municipality.

“MFMA”: The Municipal Finance Management Act- No 53 of 2003, the principle piece of legislation relating to municipal finance management.

“MTREF”-Medium Term Revenue and Expenditure Framework, a medium term financial plan usually 3 years based on a fixed first year and indicative further two years budget allocations and also includes details of the previous three years and current years financial position.

“MPAC”-Municipal Public Accounts Committee.

“NT”: National Treasury

“Net Assets”: Net assets are the residual interest in the assets of the entity after deducting all its liabilities, meaning the net assets of the municipality equates to the net wealth of the Municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

“Operating Expenditure”: Spending on the day to day expenses of the municipality such as salaries and wages and general expenditures.

“R&M”: Repairs and Maintenance on property, plant and equipment.

“SDBIP”: Service Delivery and Budget Implementation Plan: A detailed plan comprising quarterly performance targets and monthly budget estimates.

“Strategic Objectives”: The main priorities of the municipality as set out in the IDP; budgeted spending must contribute towards the achievement of the strategic objectives.

“SCM”: Supply Chain Management

“Unauthorised Expenditure”: Generally is spending without, or in excess of an approved budget.

“Virement”: A transfer of Budget

“Virement Policy”: The policy that sets out the rules for the budget transfers. Virement are normally allowed within a vote. Transfers between votes must be agreed by Council through an adjustment budget.

“Vote”: One of the main segments into which a budget is divided. In Jozini Municipality this meant at a directorate level

PART 1: ANNUAL BUDGET

SECTION 1: Mayor's Budget Speech

Madam Speaker, Amakhosi present, Councillors, Municipal Manager, HOD's, Ladies and gentlemen.

The 2013/14 Budget is presented in challenging times, but against the background of a new strategic framework for growth and development. This is a budget in which there is limited room for expansion, yet there are significant opportunities for change

The final budget that I am presenting here is largely based on and is a culmination extensive Participation Processes that have taken place and all suggestions received from the Public have been where possible accommodated.

Total Expenditure for the 2013/2014 budget totals **R168, 169,000**. We continue to strive to adhere to sound budgeting and good financial management principles which in my view will greatly assist in the growth of our rates base through the attraction of many more residents and investors.

It is proposed that the employee costs will be **R42, 285,150** which is **37%** of the total Operating budget and **21%** of the Total budget including capital expenditure. The increase has been a result of the **6.85%** as proposed by SALGA for employees and the **6.4%** for councillors since the MEC has not yet pronounced on the increases for councillors as well as creation and filling of critical positions.

The repairs and maintenance budget increases to an amount of **R8, 528, 000** million from adjustment budget of **R7,892, 000** the previous year reaffirms our commitment in looking after our infrastructure assets such as roads and community assets making up this vote. Council over the next coming years has a responsibility of continuing to ensure active maintenance and upgrade of infrastructure in order to improve the lifespan of our assets.

The remainder of the operational budget provides for the continuation of the high levels of service delivery that we seek to strive to ensure that the community members of Jozini have full access to.

I am pleased to announce that the Jozini Cash flow positions continues to remain positive, the strategy of careful management of expenditure is paying off. It is therefore important that we continue on this pathway of modesty in expenditure as well as practicing the culture of efficiency and waste reduction.

Council will note that we are proposing a Capital Budget of **R55, 571,000** during the **2013/2014 financial year**. A decrease of **R2, 312,000** from the previous budget which resulted from a sudden decrease and revision of about **R11,000,000** from the initial allocation of the electrification grant from National Treasury which we was erroneously allocated by National Treasury in the DORA in the 2013/2014 draft budget . The Capital Budget for the 2013/2014 financial year is made up of large infrastructure and community projects such as taxi ranks, community centres, multi-purpose centres and roads and these projects are as follows:

The funding of the budget is based primarily on the National and provincial funding subsidies, municipal property rates and various minor income sources as detailed in the budget. The property rates are based on the old valuation roll since process to complete the new valuation roll are currently under way and it will be implemented during the 2014/2015 financial year. However the average increase on all our tariffs for the financial year amounts to **5.6%** as per the National Treasury CPIX Guideline.

Local Economic Development

Madam Speaker a number of measures are currently underway the most successful being the drive and emphasis by the Supply Chain Policy to fully implement the SCM policy to target local contractors and cooperatives for Council business and having a mandatory 30% component for all major projects subcontracted to emerging businesses.

Poverty Alleviation

Madam Speaker we remain committed in working around the clock confronting poverty head on. Our initiatives to empower women cooperatives through renovations of community hall and structures started in the past few weeks. Though we have noted some areas of improvement, but we shall not be deterred to forge ahead full steam and implement the programme better as we go forward.

The Auditor General

The Municipality has received a qualified audit report in 2 consecutive years and this year is our time to turn things around and get an unqualified clean audit opinion. Jozini Municipality has embraced the concept of clean governance and will endeavour to attain a clean audit at the end of the 2013/2014 financial year. A lot is dependent upon the appointment of more, much needed, competent and qualified staff within the Budget and Treasury Office and ultimately the decentralisation to and acceptance of financial responsibility by the various Council Departments in their own right.

As was pointed during the Budget Committee Steering Committee meetings compliance and clean audits require competent and quality staff members at middle management who are IT and financially multi skilled. It does not need clerks, the BTO office comprise mainly of interns performing main line functions and going forward the BTO organisation structure needs to be revised for adequate staffing

Madam Speaker, I would like to thank the members of the Budget Steering Committee and Municipal Manager and his team for the tireless work and efforts in making this day and budget tabling on time possible. The valuable and robust input given by members of the Budget Steering Committee went a long way in ensuring that we produce a balanced budget to Council for approval. I would further encourage councillors in particular Chairpersons of Portfolio Committees to view their respective budgets and IDP as living documents that should be interacted with on a daily basis and continuously use the budget to monitor the performance of the portfolio committees that they have been given responsibility to oversee.

Madam Speaker I hereby present the budget and all other agenda items to the Council for consideration so that we can continue our path towards a responsive, effective and efficient service delivery municipality for the “better life for all”

2. SECTION 2: BUDGET RELATED RESOLUTIONS

- a) That as discussed at the Budget Steering Committee Meeting held on the 31ST MAY 2013 and Executive Committee held on the 5th June 2013, Council resolves to approve the Budget for the 2012/2013 financial year and the process followed in drafting the same as set out in the following tables:
- i. **TABLE A1:** Budget Summary
 - ii. **TABLE A2:** Budgeted Financial Performance (Revenue and Expenditure by standard classification)
 - iii. **TABLE A3:** Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)
 - iv. **TABLE A4:** Budgeted Financial Performance (Revenue & Expenditure by source)
 - v. **TABLE A5:** Budgeted Capital Expenditure Budget by vote, standard classification and funding source
 - vi. **TABLE A5:** Multi and single year capital appropriations by municipal vote and standard classification and associated funding source as contained in Table A5
 - vii. **TABLE A6:** The financial position
 - viii. **TABLE A7:** Cash flow budget.
 - ix. **TABLE B8:** Cash Backed reserves/Accumulated Surplus reconciliation
 - x. **TABLE B9:** Asset Management
 - xi. **TABLE B10:** Basic Service Delivery Measurement
- b) Acting in terms of Section 24 of the Municipal Finance Management Act Council takes notes and approves the municipal Taxes and **Tariffs of Charges to be imposed as taken into account in drafting the Annual Budget for the 2013/2014 financial year** and the multi-year and single-year capital appropriations accompanied by all the budget related policies and condones the process in drafting the same.
- c) Council notes and approves **the Final Integrated Development Plan for the 2013/2014 financial year** and condones the process followed in the drafting the same.
- d) Council notes and approves the final Organizational Performance Management Framework for 2013/2014 and condones the process followed in drafting the same
- e) That overriding of expenditure that will constitute unauthorised expenditure not be permitted by the MM or CFO. If there are insufficient funds available, the Virement process be followed in terms of the approved Council's Virement Policy.
- f) That Council approves that the accounting officer ensure that the final budget tables as attached as annexures be submitted to the National Treasury and the Provincial Treasury in both a signed document format and in electronic format, including posting the same on the website.

3. SECTION 3: EXECUTIVE SUMMARY

3.1 INTRODUCTION

The budget for the financial year 2013/2014 is the 3rd budget of the current political administration. The priorities reflected within this budget are aligned fully with the strategy and priorities of the Municipality. Whilst changes in policy and direction cannot simply happen overnight there have been significant shifts in Council thinking whilst maintaining at all times synergy with the Constitutional requirement requirements of Local Government in respect of basic services and within the general dictates of the National treasury guidelines.

The budget continues to fight the malaise and constrained economic conditions that Council continues to find itself in. indeed it is unlikely that the economic conditions and position will change much in the next three to four budget cycles at least in as far as the municipality's ability to generate its own revenue sources as it is currently heavily reliant on National Transfers. The budget therefore follows a conservative approach to rates and tariffs but also slowly begins to plan in anticipation of improved economic conditions from 2017/2018.

The final budget for the Jozini local municipality amounts to **R168,169,000** in the 2013/2014 financial year being **R55,571,000** for capital and **R112,598,000** for operating expenditure. The new budget represents a decrease of **R28, 690,056** which is a result of the sudden decrease of our National electrification from the initial allocation of **R20 Million** from the 2012/2013 to **R11 Million** in the 2013/2014 financial year as well as the fact that the adjustment budget which had substantially increased during the 2012/2013 financial year was based on bringing onto the budget expenditure for the unspent grants which had initially been excluded during the 2012/2013 original budget. In the current budget the capital budget spent has managed to achieve **98%** expenditure projections which is a major improvement when compared to the 2012/2013 Financial Year. This improvement has been a result of the decisive approach by the Municipal Manager to institute and implement a far more stringent review processes in the SCM unit to ensure that whatever moneys are appropriated for in the budget are indeed spent on what the original budget required. The improvement in capital spend versus the budget can now be clearly evidenced in the current monthly reporting and a further capital expenditure of at least 100% is now forecast for the **2013/2014** financial year.

3.2 CONSOLIDATED OVERVIEW OF THE 2013/2014 MTREF

R THOUSAND	BUDGET ADJUSTMENT 2012/2013	BUDGET YEAR 2013/2014	BUDGET YEAR+1 2014/2015	BUDGET YEAR+ 2015/2016
Total operating Revenue	R104,240,000	R124,083,000	R119,566,000	R126,323,000
Total operating Expenditure	R115,305,000	R112,598,000	R143,517,000	R178,897,000
Surplus/deficit for the year	(R11,065,000)	R11,485,000	R23,951,000	R57,574,000
Total Capital Expenditure own revenue		R10,680,000		
Total Capital funding Grant		R44,891,000	R53,940,000	R54,333,000
Total Capital Expenditure	R58,168,672	R55,571,000	R53,940,000	R54,333,000

There has been a serious concern with regard to the lack of long term planning necessary for Jozini over the next 10 years. Previous plans were essentially short term or even unrealistic and lack depth necessary to move Jozini to the desire state for the future. A decision to review the planning process through the review of the current IDP was successfully undertaken and is perceived to be a very critical long-term planning tool for the Jozini municipality going forward. To ensure the accuracy and relevance of the financial planning phase, a detailed assessment and evaluation is proposed to examine the current financial standing of the Jozini municipality to ensure that this MTREF is economically and therefore financially sustainable from a practical perspective rather than the often still theoretical approach prevalent in the Local Government Sphere.

Despite the current constrained economic conditions that the Jozini local municipality operates under the demands of the all residents also continue to grow. What is coming through profoundly in recent years is that more and more demands for services is coming through to address the current service delivery backlogs facing the municipality rated by the classic legacy of apartheid. This is exactly the constitutional mandate of the local government which required that vigorous approaches need to be taken in distributing the current constrained economic resources to address the existing backlogs and creating better conditions going forward.

Jozini Municipality from a financial perspective is a municipality that remains dependant on grants and shall remain so for the foreseeable future as such until alternative revenue sources are created to enhance the current constrained own revenue sources. Approximately **90%** of Council revenue comes from National Transfers there is little scope for cross subsidisation given the limited business sector and therefore increases in tariffs impacts directly upon domestic consumers and hence almost immediately burdens the municipality's cash flow. Increased taxation will invariably mean increased non-payment hence the tariffs have only been increased by the proposed NT **5, 6%**

4. TABLE A1: budget summary

As can be seen from the table above the summaries of Revenue for the Jozini Local Municipality is heavily reliant on National and Provincial transfers and generates very little own revenue sources with the property rates being the second highest contributor in revenue sources, this trend is expected to slightly change with during the 2014/2015 financial year when implementing the New valuation roll. With this current trend all municipal departments are reliant on the equitable share allocation for sustainability.

Over the next financial year Council will be embarking upon a large database clean-up and data amalgamation to ensure one system that will house all municipal financial information, so that all systems are brought together and integrated with the GIS for seamless financial and technical reporting and management. This process is the first step towards Council's Revenue Enhancement Programme to be combined with the Second General valuation in terms of the Municipal Property Rates Act. It is anticipated that this process will culminate with the financial information from the current data survey being undertaken in all financial data being Pastel Evolution and GIS. This will in turn benefit the Standard Charts of Accounts being undertaken at National level and will allow Council to justify future equitable share requests based on property indigent and population information data and statistics

Description R thousands	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Financial Performance							
Property rates	7,500	12,195	12,195	12,195	17,986	18,957	19,981
Service charges	600	1,622	1,622	1,622	3,493	3,682	3,880
Investment revenue	2,000	4,460	4,460	4,460	4,710	4,964	5,233
Transfers recognized - operational	77,303	78,348	78,348	78,348	89,911	107,499	140,934
Other own revenue	1,251	7,615	7,615	7,615	7,984	8,415	8,869
	88,654	104,240	104,240	104,240	124,083	143,517	178,897
Total Revenue (excluding capital transfers and contributions)							
Employee costs	28,991	31,283	31,283	31,283	32,084	34,137	36,322
Remuneration of councillors	10,109	9,756	9,756	9,756	10,201	10,725	11,278
Depreciation & asset impairment	507	507	507	507	1,000	1,054	1,111
Finance charges	—	—	—	—	—	—	—
Materials and bulk purchases	—	—	—	—	—	—	—
Transfers and grants	—	—	—	—	4,391	4,628	4,878
Other expenditure	49,047	97,430	97,430	97,430	64,922	69,022	72,734
Total Expenditure	88,654	138,976	138,976	138,976	112,598	119,566	126,323
Surplus/(Deficit)	—	(34,736)	(34,736)	(34,736)	11,485	23,950	52,574
Transfers recognized - capital	38,322	46,588	46,588	46,588	44,891	53,940	54,333
Contributions recognized - capital & contributed assets	—	11,069	11,069	11,069	—	—	—
	38,322	22,921	22,921	22,921	56,376	77,890	106,907
Surplus/(Deficit) after capital transfers & contributions							
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Surplus/(Deficit) for the year	38,322	22,921	22,921	22,921	56,376	77,890	106,907

<u>Capital expenditure & funds sources</u>							
Capital expenditure	43,715	57,884	57,884	57,884	55,571	53,940	54,333
Transfers recognized - capital	38,322	46,588	46,588	46,588	44,891	53,940	54,333
Public contributions & donations	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-
Internally generated funds	5,393	11,295	11,295	11,295	10,680	-	-
Total sources of capital funds	43,715	57,883	57,883	57,883	55,571	53,940	54,333
<u>Financial position</u>							
Total current assets	65,010	74,414	74,414	74,414	84,350	97,165	117,036
Total non current assets	100,000	139,706	139,706	139,706	182,988	232,928	282,261
Total current liabilities	24,644	24,644	24,644	24,644	43,738	38,889	53,783
Total non current liabilities	-	-	-	-	-	-	-
Community wealth/Equity	140,366	189,476	189,476	189,476	223,600	291,205	345,514
<u>Cash flows</u>							
Net cash from (used) operating	40,221	33,208	33,208	33,208	59,376	79,672	106,914
Net cash from (used) investing	-	(14,169)	(14,169)	(14,169)	(46,645)	(52,260)	(51,511)
Net cash from (used) financing	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	59,520	19,039	19,039	19,039	49,909	77,321	132,723
<u>Cash backing/surplus reconciliation</u>							
Cash and investments available	49,234	58,638	58,638	58,638	52,760	64,003	81,167
Application of cash and investments	10,212	8,808	8,808	8,808	54,502	77,831	141,950
Balance - surplus (shortfall)	39,022	49,830	49,830	49,830	(1,742)	(13,828)	(60,783)
<u>Asset management</u>							
Asset register summary (WDV)	100,000	139,706	139,706	182,988	182,988	232,928	282,261
Depreciation & asset impairment	507	507	507	1,000	1,000	1,054	1,111
Renewal of Existing Assets	-	-	-	-	-	-	-
Repairs and Maintenance	3,310	3,377	3,377	8,528	8,528	8,765	9,277
<u>Free services</u>							
Cost of Free Basic Services provided	2,000	2,000	2,000	2,000	2,000	2,108	2,222
Revenue cost of free services provided	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<u>Households below minimum service level</u>							
Water:	22	22	22	22	22	22	22
Sanitation/sewerage:	11	11	11	11	11	11	11
Energy:	-	-	-	-	-	-	-
Refuse:	35	35	35	35	35	35	35

5. TABLE A2: Budgeted Financial Performance (Revenue and Expenditure by standard classification)

The Total budget for the 2013/2014 financial year is operating revenue of **R168, 974,000** including capital revenue and total operating expenditure of **R112,598,000** made of expenditure categories which include Employee Related costs, general expenditure, other expenditure and repairs and maintenance

Standard Classification Description R thousand	Ref	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue - Standard							
Governance and administration		39,866	52,061	52,061	63,445	75,622	91,461
Executive and council		19,980	21,002	21,002	23,791	33,709	36,556
Budget and treasury office		10,893	22,066	22,066	26,826	28,436	35,323
Corporate services		8,993	8,993	8,993	12,829	13,476	19,583
Community and public safety		27,819	28,376	28,376	38,823	44,523	46,738
Community and social services		21,832	21,741	21,741	34,127	39,534	36,122
Sport and recreation		-	-	-	-	-	-
Public safety		5,987	6,635	6,635	4,697	4,990	10,616
Housing		-	-	-	-	-	-
Health		-	-	-	-	-	-
Economic and environmental services		51,206	72,352	72,352	59,077	69,220	81,132
Planning and development		4,788	6,449	6,449	3,924	4,169	9,746
Road transport		46,417	65,903	65,903	55,153	65,051	71,386
Environmental protection		-	-	-	-	-	-
Trading services		8,086	9,108	9,108	7,629	8,092	13,899
Electricity		-	-	-	-	-	-
Water		-	-	-	-	-	-
Waste water management		-	-	-	-	-	-
Waste management		8,086	9,108	9,108	7,629	8,092	13,899
Other	4	-	-	-	-	-	-
Total Revenue - Standard	2	126,976	161,897	161,897	168,974	197,457	233,230
Expenditure - Standard	-						
Governance and administration		39,866	52,366	52,366	55,920	58,966	61,898
Executive and council		19,980	25,650	25,650	23,691	24,939	25,925
Budget and treasury office		10,893	16,381	16,381	19,401	20,550	21,705
Corporate services		8,993	10,336	10,336	12,829	13,476	14,268
Community and public safety		27,819	36,193	36,193	34,863	37,229	39,673
Community and social services		21,832	29,785	29,785	30,046	32,107	34,227
Sport and recreation		-	-	-	-	-	-
Public safety		5,987	6,408	6,408	4,817	5,122	5,446
Housing		-	-	-	-	-	-
Health		-	-	-	-	-	-
Economic and environmental services		12,884	40,315	40,315	14,186	15,280	16,168
Planning and development		4,788	5,169	5,169	3,924	4,169	4,430
Road transport		8,095	35,146	35,146	10,262	11,111	11,738
Environmental protection		-	-	-	-	-	-
Trading services		8,086	10,102	10,102	7,629	8,092	8,584
Electricity		-	-	-	-	-	-
Water		-	-	-	-	-	-
Waste water management		-	-	-	-	-	-
Waste management		8,086	10,102	10,102	7,629	8,092	8,584
Other	4	-	-	-	-	-	-
Total Expenditure - Standard	3	88,654	138,976	138,976	112,598	119,566	126,323
Surplus/(Deficit) for the year		38,322	22,921	22,921	56,376	77,890	106,907

6. TABLE A3: Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)

R thousand		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue by Vote	1						
EXECUTIVE AND COUNCIL		19,980	21,002	21,002	23,791	33,709	36,556
BUDGET AND TREASURY OFFICE		10,893	22,066	22,066	26,826	28,436	35,323
CORPORATE/HUMAN RESOURCES		8,993	8,993	8,993	12,829	13,476	19,583
COMMUNITY		21,832	21,741	21,741	34,127	39,534	36,122
PLANNING		4,788	6,449	6,449	3,924	4,169	9,746
TECHNICAL		46,417	65,903	65,903	55,153	65,051	71,386
PUBLIC SAFETY		5,987	6,635	6,635	4,697	4,990	10,616
WASTE MANAGEMENT		8,086	9,108	9,108	7,629	8,092	13,899
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-
Total Revenue by Vote	2	126,976	161,897	161,897	168,974	197,457	233,230
Expenditure by Vote to be appropriated	1						
EXECUTIVE AND COUNCIL		19,980	25,650	25,650	23,691	24,939	25,925
BUDGET AND TREASURY OFFICE		10,893	16,381	16,381	19,401	20,550	21,705
CORPORATE/HUMAN RESOURCES		8,993	10,336	10,336	12,829	13,476	14,268
COMMUNITY		21,832	29,785	29,785	30,046	32,107	34,227
PLANNING		4,788	5,169	5,169	3,924	4,169	4,430
TECHNICAL		8,095	35,146	35,146	10,262	11,111	11,738
PUBLIC SAFETY		5,987	6,408	6,408	4,817	5,122	5,446
WASTE MANAGEMENT		8,086	10,102	10,102	7,629	8,092	8,584
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-
Total Expenditure by Vote	2	88,654	138,976	138,976	112,598	119,566	126,323
Surplus/(Deficit) for the year	2	38,322	22,921	22,921	56,376	77,890	106,907

7. TABLE A4: Budgeted Financial Performance (Revenue & Expenditure by source)

Description R thousand	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<u>Revenue By Source</u>							
Property rates	7,500	12,195	12,195	12,195	17,986	18,957	19,981
Property rates - penalties & collection charges	–	–	–	–	–	–	–
Service charges - electricity revenue	–	–	–	–	–	–	–
Service charges - water revenue	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–
Service charges - refuse revenue	600	1,617	1,617	1,617	3,493	3,682	3,880
Service charges - other	–	6	6	6	–	–	–
Rental of facilities and equipment	730	836	836	836	869	916	966
Interest earned - external investments	2,000	4,460	4,460	4,460	4,710	4,964	5,233
Interest earned - outstanding debtors	–	3,687	3,687	3,687	3,893	4,104	4,325
Dividends received	–	–	–	–	–	–	–
Fines	125	344	344	344	388	409	431
Licenses and permits	250	696	696	696	735	775	817
Agency services	–	–	–	–	–	–	–
Transfers recognized - operational	77,303	78,348	78,348	78,348	89,911	107,499	140,934
Other revenue	146	2,052	2,052	2,052	2,098	2,212	2,331
Gains on disposal of PPE	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	88,654	104,240	104,240	104,240	124,083	143,517	178,897
<u>Expenditure By Type</u>							
Employee related costs	28,991	31,283	31,283	31,283	32,084	34,137	36,322
Remuneration of councillors	10,109	9,756	9,756	9,756	10,201	10,725	11,278
Debt impairment	700	700	700	700	2,000	2,108	2,222
Depreciation & asset impairment	507	507	507	507	1,000	1,054	1,111
Finance charges	–	–	–	–	–	–	–
Bulk purchases	–	–	–	–	–	–	–
Other materials	–	–	–	–	–	–	–
Contracted services	1,600	3,495	3,495	3,495	5,853	6,116	6,446
Transfers and grants	–	–	–	–	4,391	4,628	4,878
Other expenditure	46,747	93,235	93,235	93,235	57,069	60,797	64,066
Loss on disposal of PPE	–	–	–	–	–	–	–
Total Expenditure	88,654	138,976	138,976	138,976	112,598	119,566	126,323

Surplus/(Deficit)	–	(34,736)	(34,736)	(34,736)	11,485	23,950	52,574
Transfers recognized - capital	38,322	46,588	46,588	46,588	44,891	53,940	54,333
Contributions recognized - capital	–	11,069	11,069	11,069	–	–	–
Contributed assets	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	38,322	22,921	22,921	22,921	56,376	77,890	106,907
Taxation	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	38,322	22,921	22,921	22,921	56,376	77,890	106,907
Attributable to minorities	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	38,322	22,921	22,921	22,921	56,376	77,890	106,907
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	38,322	22,921	22,921	22,921	56,376	77,890	106,907

8. TABLE A5: Budgeted Capital Expenditure Budget by vote, standard classification and funding source

The capital budget for the **2013/2014 financial year will total R55, million** a reduction of **R11 million rand** from the draft budget as a result of the reduction in the Electrification Capital Transfer from **R20 million to R9 Million during the 2012/2013 financial year**. The capital expenditure is funded primarily from National grants and subsidy allocations and **R10, million from internally generated funds**.

The capital expenditure emphasis for the **2013/2014 financial year** remains building and rehabilitating of community infrastructure such as **taxi ranks, community centres, multi-purpose centres and roads** which is to be funded primarily from the MIG grant and electrification of rural households to be funded from the National electrification grant. An amount of **R10 million** has been set aside as phase 2 of the construction of the **Multi-purpose town hall** which is to house the Executive and Council office accommodation, Council chamber , a 1500 Seater Conference Hall which will attract the hosting of many conferences national conferences even from neighbouring countries such as Swaziland and Mozambique . This initiative is anticipated to create economic spin offs in sectors such as tourism since conferencing activities also increases a demand for accommodation for delegates attending such conferences .The town hall is being designed to be converted to also cater for various indoor sporting activities etc. and a large athletic track as well as a soccer and rugby field which will contribute significantly to the sporting arena within the municipality. The construction process will be phased in over the MTEREF.

The municipality remains committed to striking a balance between community infrastructure and revenue generating infrastructure as well as investing in carefully managing the existing infrastructure assets through the adequate provision of the repairs and maintenance budget.

9. **TABLE A5:** Budgeted Capital Expenditure by vote, standard classification and funding as contained in Table A5

Vote Description R thousand	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital expenditure - Vote							
Multi-year expenditure to be appropriated							
EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-
BUDGET AND TREASURY OFFICE	-	-	-	-	-	-	-
CORPORATE/HUMAN RESOURCES	-	-	-	-	-	-	-
COMMUNITY	-	-	-	-	-	-	-
PLANNING	-	-	-	-	-	-	-
TECHNICAL	-	-	-	-	-	-	-
PUBLIC SAFETY	-	-	-	-	-	-	-
WASTE MANAGEMENT	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-
Single-year expenditure to be appropriated							
EXECUTIVE AND COUNCIL	1,113	1,213	1,213	1,213	200	-	-
BUDGET AND TREASURY OFFICE	270	303	303	303	500	-	-
CORPORATE/HUMAN RESOURCES	500	500	500	500	1,150	-	-
COMMUNITY	30	880	880	880	1,500	-	-
PLANNING	-	100	100	100	-	-	-
TECHNICAL	39,472	52,037	52,037	52,037	51,541	53,940	54,333
PUBLIC SAFETY	1,600	1,600	1,600	1,600	430	-	-
WASTE MANAGEMENT	730	1,250	1,250	1,250	250	-	-
Vote 9 - [NAME OF VOTE 9]	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	43,715	57,883	57,883	57,883	55,571	53,940	54,333
Total Capital Expenditure - Vote	43,715	57,883	57,883	57,883	55,571	53,940	54,333
Capital Expenditure - Standard							
Governance and administration	1,883	2,016	2,016	2,016	1,850	-	-
Executive and council	1,113	1,213	1,213	1,213	200	-	-
Budget and treasury office	270	303	303	303	500	-	-
Corporate services	500	500	500	500	1,150	-	-
Community and public safety	1,630	2,480	2,480	2,480	1,930	-	-
Community and social services	30	880	880	880	1,500	-	-
Sport and recreation	-	-	-	-	-	-	-
Public safety	1,600	1,600	1,600	1,600	430	-	-
Housing	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-
Economic and environmental services	-	100	100	100	-	-	-
Planning and development	-	100	100	100	-	-	-

Road transport	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-
Trading services	730	1,250	1,250	1,250	250	-	-
Electricity	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-
Waste management	730	1,250	1,250	1,250	250	-	-
Other	39,472	52,037	52,037	52,037	51,541	53,940	54,333
Total Capital Expenditure - Standard	43,715	57,884	57,884	57,884	55,571	53,940	54,333
Funded by:							
National Government	38,322	46,588	46,588	46,588	44,891	53,940	54,333
Provincial Government	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-
Transfers recognised - capital	38,322	46,588	46,588	46,588	44,891	53,940	54,333
Public contributions & donations	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-
Internally generated funds	5,393	11,295	11,295	11,295	10,680	-	-
Total Capital Funding	43,715	57,883	57,883	57,883	55,571	53,940	54,333

10. TABLE A6: The financial position

The financial position is set out in **Table A6 budgeted Financial Position**, where it is projected that Council at the end of the financial year will close with the accumulated surplus of some **R223,600,000** the reality of course is that the figure ultimately includes the value of PPE much of which are community assets and cannot be easily turned into cash. You cannot sell a road at the values placed on them. The only realistic figures to look at are those contained in **Table A8 cash backed reserves/accumulated surplus** reconciliation and specifically the surplus and shortfall figures. Prioritising going forward, this surplus is only moving sideways. it would be excellent if the surplus figure was much higher but the municipality is taking a position that our assets should be on the ground working for the community rather than in the bank providing no service delivery.

The anticipated consumer debtors figure of **R31,590,000** in table 6 at the end of 2013/2014 is a net figure it includes the bad debt or **debt impairment provisions totalling R2,000,000**. For more information see supporting table SA3: Supporting detail to budgeted financial position. The collection of outstanding debtors is alarmingly high and requires that far more attention is needed to be paid to minimising debt at an early stage, that is, before it reaches 90 days which will require vigorous debt recovery mechanisms which will include processes such as the data cleansing exercised being earmarked for the 2013/2014 financial year as well as other iron fist in velvet glove approach to credit control mechanisms. Sadly however, we have had to take the harder approach of handing over more debtors to debt collectors for direction action. This is most especially in regard to assessment rates and charges. Various initiatives as such as interest writing off initiative for all property categories are currently underway to in an effort to enhance the debtors collection period.

Description	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand							
ASSETS							
Current assets							
Cash	27,234	27,234	27,234	27,234	20,686	31,029	46,544
Call investment deposits	22,000	31,404	31,404	31,404	32,074	32,974	34,623
Consumer debtors	9,000	9,000	9,000	9,000	31,590	33,162	35,870
Other debtors	3,232	3,232	3,232	3,232	–	–	–
Current portion of long-term receivables	3,544	3,544	3,544	3,544	–	–	–
Inventory	–	–	–	–	–	–	–
Total current assets	65,010	74,414	74,414	74,414	84,350	97,165	117,036
Non current assets							
Long-term receivables	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–
Investment property	–	–	–	–	–	–	–
Investment in Associate	–	–	–	–	–	–	–
Property, plant and equipment	100,000	139,706	139,706	139,706	182,988	232,928	282,261
Agricultural	–	–	–	–	–	–	–
Biological	–	–	–	–	–	–	–
Intangible	–	–	–	–	–	–	–
Other non-current assets	–	–	–	–	–	–	–
Total non current assets	100,000	139,706	139,706	139,706	182,988	232,928	282,261
TOTAL ASSETS	165,010	214,120	214,120	214,120	267,338	330,093	399,297
LIABILITIES							
Current liabilities							
Bank overdraft	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–
Consumer deposits	–	–	–	–	–	–	–
Trade and other payables	22,444	22,444	22,444	22,444	39,135	36,504	48,615
Provisions	2,200	2,200	2,200	2,200	4,603	2,385	5,169
Total current liabilities	24,644	24,644	24,644	24,644	43,738	38,889	53,783
Non current liabilities							
Borrowing	–	–	–	–	–	–	–
Provisions	–	–	–	–	–	–	–
Total non current liabilities	–	–	–	–	–	–	–
TOTAL LIABILITIES	24,644	24,644	24,644	24,644	43,738	38,889	53,783
NET ASSETS	140,366	189,476	189,476	189,476	223,600	291,205	345,514
COMMUNITY WEALTH/EQUITY							
Accumulated Surplus/(Deficit)	140,366	189,476	189,476	189,476	223,600	291,205	345,514
Reserves	–	–	–	–	–	–	–
Minorities' interests	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	140,366	189,476	189,476	189,476	223,600	291,205	345,514

11. TABLE A7: Cash flow budget.

(a) Cash & Cash Equivalent Position

Circular 66 issued by National Treasury for the financial year 2013/2014 makes mention of the fact that the municipality should look at having a cash reserve of three months. As per the 2012/2012 financial results The Jozini Municipality currently has a cash reserve of 4.36 months and will strive to ensure compliance with the national treasury 3 months guideline going forward.

(b) Cash From Operating Activity

The budget for the **2013/2014** financial year is premised on the **87% payment levels**. Although this trend is slightly higher than prior years collection rate, we deem this trend reasonable, This is given the various debt collection and credit control mechanisms currently being implemented to improve collection of outstanding debt these include the implementation of the "Interest waiving" initiative to all property rates categories who have outstanding debts, which has begun yielding the desired outcomes as well as the vigorous debt recovery mechanisms such as data cleansing of all our property rates categories.

It is also anticipated that with the development of the new valuation roll will significantly increase cash from operating activity in the form of property rates collectable. The Jozini municipality at this stage cannot budget for payment levels above 70% since there has been no growth in new housing development except the very poor RDP end. Other categories of cash from operating activity include the budgeted cash receipts from Government Capital grants of **R55, 771,000** which records a substantial reduction from the 2012/2013 financial year as a result of the unexpected reduction of our DORA capital grants from the draft budget of **R11,000,000**, The balance being Operational grants and subsidies of **R89,911,000** respectively. Whilst the cash outflows is based on the payments to suppliers and employees as budgeted under our operating expenditure amounting to **R163,657,7412** for the 2013/2014 financial year.

(c) Cash from Investing activity

The municipality has budgeted **100%** of capital payments as a percentage of capital expenditure this is given the various expenditure management mechanism which have been introduced to fast-track implementation of capital projects these includes amongst others the appointment of a pool of consultants who are responsible for managing implementation of capital projects over the MTREF, a process which is anticipated to short circuit the lengthy Supply Chain Management Process and ensure timely implementation of Capital projects, Other mechanisms include introduction of procurement plans by all departments and vigorous monitoring through monthly reporting to the Municipal Manager, Portfolio Committees as well as the executive committee. The Municipality has also revised the payment cycles to be on the 15th and 30th respectively to fast track expenditure mostly on capital related programmes.

Description R thousand	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Ratepayers and other	9,351	23,892	23,892	23,892	25,569	25,569	25,569
Government - operating	77,303	78,347	78,347	78,347	89,911	107,499	140,934
Government - capital	38,322	38,322	38,322	38,322	44,891	53,940	54,333
Interest	2,000	4,460	4,460	4,460	8,603	9,068	9,068
Dividends	-	-	-	-	-	-	-
Payments							
Suppliers and employees	(43,040)	(66,822)	(66,822)	(66,822)	(105,207)	(111,776)	(118,112)
Finance charges	-	-	-	-	-	-	-
Transfers and Grants	(43,715)	(44,991)	(44,991)	(44,991)	(4,391)	(4,628)	(4,878)
NET CASH FROM/(USED) OPERATING ACTIVITIES	40,221	33,208	33,208	33,208	59,376	79,672	106,914
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	8,926	1,680	2,822
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-
Payments							
Capital assets	-	(14,169)	(14,169)	(14,169)	(55,571)	(53,940)	(54,333)
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	(14,169)	(14,169)	(14,169)	(46,645)	(52,260)	(51,511)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Short term loans	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-
Payments							
Repayment of borrowing	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	40,221	19,039	19,039	19,039	12,732	27,412	55,403
Cash/cash equivalents at the year begin:	19,299	-	-	-	37,178	49,909	77,321

12. TABLE A8: Cash Backed reserves/Accumulated Surplus reconciliation

a) Application of Cash and investments

The Jozini Municipality is considered to be cash backed this is given the fact that all unspent grants to the tune of **R25, 000,000** are cash backed through investments to the value of **R52, 760,000**, not only so the municipality has cash investment from prior surpluses which are also cash backed to ensure availability of funds for provisions such as leave pay, performance bonus and annual bonuses.

Description R thousand	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash and investments available							
Cash/cash equivalents at the year end	59,520	19,039	19,039	19,039	49,909	77,321	132,723
Other current investments > 90 days	(10,286)	39,599	39,599	39,599	2,851	(13,317)	(51,557)
Non current assets - Investments	–	–	–	–	–	–	–
Cash and investments available:	49,234	58,638	58,638	58,638	52,760	64,003	81,167
Application of cash and investments							
Unspent conditional transfers	16,000	16,000	16,000	16,000	25,000	11,250	3,375
Unspent borrowing	–	–	–	–	–	–	–
Statutory requirements	–	–	–	–	–	–	–
Other working capital requirements	(5,788)	(7,192)	(7,192)	(7,192)	(13,481)	(2,241)	17,058
Other provisions	–	–	–	–	2,000	2,108	2,222
Long term investments committed	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–	40,983	66,714	119,295
Total Application of cash and investments:	10,212	8,808	8,808	8,808	54,502	77,831	141,950
Surplus(shortfall)	39,022	49,830	49,830	49,830	(1,742)	(13,828)	(60,783)

13. TABLE B9: Asset Management

The municipality has budgeted for **5%** of the capital budget for repairs and maintenance during the 2013/2014 financial year. This provision is an applaudable and significant increase 2 percent from the prior years. Although National treasury through circular has indicated that the municipalities who had received a qualification on their PPE values should budget for at least 10% for repairs and maintenance, the municipality has start somewhere and we are of the view that the gradual annual increase and growth of the repairs and maintenance budget year after year has to be balanced with the many other budget priorities however the municipality remains committed in gradually and decisively making provisions in the MTREF for the active maintenance and upgrade of infrastructure will go a long way in improving the lifespan of our assets. Various initiatives to address the maintenance of assets will be explored during the 2013/2014 financial year these will include development and implementation of a comprehensive asset management plans. The municipality has also appointed a dedicated asset management officer during the 2012/13 financial year whose responsibility will be to oversee the entire asset management function and ensuring that this function is not left to chance.

National Treasury has also indicated that a minimum of 40% of the capital budget should be for renewal as opposed to new infrastructure. It is important to however note that in the case of Jozini Municipality there exists enormous infrastructure backlogs where the municipalities is having to almost start from scratch in the provision of the infrastructure requirements, with the development of a comprehensive asset management plan it is anticipated that it will provide a clear directive in terms of identification of assets due for renewal ensuring that the renewal of assets is not a by chance initiative but one that is deliberate one informed by a long term strategic view.

Description R thousand	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CAPITAL EXPENDITURE						
<u>Total New Assets</u>	43,715	57,883	57,883	55,571	53,940	54,333
Infrastructure - Road transport	29,322	28,421	28,421	9,071	49,940	49,333
Infrastructure - Electricity	-	5,300	5,300	25,100	-	-
Infrastructure - Water	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-
Infrastructure - Other	-	-	-	14,820	4,000	5,000
Infrastructure	29,322	33,721	33,721	48,991	53,940	54,333
Community	-	-	-	1,500	-	-
Heritage assets	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other assets	14,393	24,162	24,162	5,080	-	-
Agricultural Assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	-	-	-	-	-	-
Infrastructure - Road transport	-	-	-	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-
Infrastructure - Water	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-
Infrastructure - Other	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-
Community	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Agricultural Assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	29,322	28,421	28,421	9,071	49,940	49,333
Infrastructure - Road transport	29,322	28,421	28,421	9,071	49,940	49,333
Infrastructure - Electricity	-	5,300	5,300	25,100	-	-
Infrastructure - Water	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-
Infrastructure - Other	-	-	-	14,820	4,000	5,000
Infrastructure	29,322	33,721	33,721	48,991	53,940	54,333
Community	-	-	-	1,500	-	-
Heritage assets	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other assets	14,393	24,162	24,162	5,080	-	-
Agricultural Assets	-	-	-	-	-	-

Biological assets	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	43,715	57,883	57,883	55,571	53,940	54,333
ASSET REGISTER SUMMARY - PPE (WDV)						
Infrastructure - Road transport	-	-	-	9,071	49,940	49,333
Infrastructure - Electricity	-	5,300	5,300	25,100	-	-
Infrastructure - Water	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-
Infrastructure - Other	80,000	113,102	113,102	142,237	182,988	232,928
Infrastructure	80,000	118,402	118,402	176,408	232,928	282,261
Community	-	-	-	1,500	-	-
Heritage assets	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other assets	20,000	21,304	21,304	5,080	-	-
Agricultural Assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	100,000	139,706	139,706	182,988	232,928	282,261
EXPENDITURE OTHER ITEMS						
<u>Depreciation & asset impairment</u>	507	507	507	1,000	1,054	1,111
<u>Repairs and Maintenance by Asset Class</u>	3,310	3,377	3,377	8,528	8,765	9,277
Infrastructure - Road transport	300	300	300	3,000	3,300	3,478
Infrastructure - Electricity	200	200	200	1,100	1,210	1,275
Infrastructure - Water	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-
Infrastructure - Other	-	-	-	-	-	-
Infrastructure	500	500	500	4,100	4,510	4,754
Community	1,600	1,600	1,600	2,265	2,492	2,626
Heritage assets	500	500	500	1,208	831	881
Investment properties	-	-	-	-	-	-
Other assets	710	777	777	955	932	1,016
TOTAL EXPENDITURE OTHER ITEMS	3,817	3,884	3,884	9,528	9,819	10,388
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&M as a % of PPE</i>	3.3%	2.4%	2.4%	4.7%	3.8%	3.3%
<i>Renewal and R&M as a % of PPE</i>	3.0%	2.0%	2.0%	5.0%	4.0%	3.0%

14. TABLE A10: Basic Service Delivery Measurement

(a) Alignment of IDP Strategic Objectives to Budget

The Municipality has recently revised its IDP and Performance Management Framework to ensure alignment of these 3 critical and interrelated instruments. The total revenue as well as the total operating and capital expenditure has been in the best way possible reconciled to align with the Strategic objectives as captured in Tables SA4, SA5 and SA6.

Description	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Household service targets						
Water:						
Piped water inside dwelling	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)	-	-	-	-	-	-
Using public tap (at least min.service level)	-	-	-	-	-	-
Other water supply (at least min.service level)	17,162	17,162	17,162	17,162	17,162	17,162
<i>Minimum Service Level and Above sub-total</i>	17,162	17,162	17,162	17,162	17,162	17,162
Using public tap (< min.service level)	1,543	1,543	1,543	1,543	1,543	1,543
Other water supply (< min.service level)	20,144	20,144	20,144	20,144	20,144	20,144
No water supply	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	21,687	21,687	21,687	21,687	21,687	21,687
Total number of households	38,849	38,849	38,849	38,849	38,849	38,849
Sanitation/sewerage:						
Flush toilet (connected to sewerage)	3,734	3,734	3,734	3,734	3,734	3,734
Flush toilet (with septic tank)	987	987	987	987	987	987
Chemical toilet	7,850	7,850	7,850	7,850	7,850	7,850
Pit toilet (ventilated)	6,971	6,971	6,971	6,971	6,971	6,971
Other toilet provisions (> min.service level)	8,115	8,115	8,115	8,115	8,115	8,115
<i>Minimum Service Level and Above sub-total</i>	27,657	27,657	27,657	27,657	27,657	27,657
Bucket toilet	542	542	542	542	542	542
Other toilet provisions (< min.service level)	1,665	1,665	1,665	1,665	1,665	1,665
No toilet provisions	8,985	8,985	8,985	8,985	8,985	8,985
<i>Below Minimum Service Level sub-total</i>	11,192	11,192	11,192	11,192	11,192	11,192
Total number of households	38,849	38,849	38,849	38,849	38,849	38,849
Energy:						
Electricity (at least min.service level)	-	-	-	-	-	-
Electricity - prepaid (min.service level)	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-	-
Electricity (< min.service level)	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-
Other energy sources	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-
Total number of households	-	-	-	-	-	-
Refuse:						
Removed at least once a week	4,271	4,271	4,271	4,271	4,271	4,271
<i>Minimum Service Level and Above sub-total</i>	4,271	4,271	4,271	4,271	4,271	4,271
Removed less frequently than once a week	355	355	355	355	355	355
Using communal refuse dump	526	526	526	526	526	526
Using own refuse dump	26,902	26,902	26,902	26,902	26,902	26,902
Other rubbish disposal	676	676	676	676	676	676
No rubbish disposal	6,118	6,118	6,118	6,118	6,118	6,118
<i>Below Minimum Service Level sub-total</i>	34,577	34,577	34,577	34,577	34,577	34,577
Total number of households	38,848	38,848	38,848	38,848	38,848	38,848

Households receiving Free Basic Service						
Water (6 kilolitres per household per month)	-	-	-	-	-	-
Sanitation (free minimum level service)	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)	40,000	40,000	40,000	40,000	40,000	40,000
Refuse (removed at least once a week)	-	-	-	-	-	-
Cost of Free Basic Services provided (R'000)						
Water (6 kilolitres per household per month)	-	-	-	-	-	-
Sanitation (free sanitation service)	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)	2,000	2,000	2,000	2,000	2,108	2,222
Refuse (removed once a week)	-	-	-	-	-	-
Total cost of FBS provided (minimum social package)	2,000	2,000	2,000	2,000	2,108	2,222
Highest level of free service provided						
Property rates (R value threshold)	-	-	-	-	-	-
Water (kilolitres per household per month)	-	-	-	-	-	-
Sanitation (kilolitres per household per month)	-	-	-	-	-	-
Sanitation (Rand per household per month)	-	-	-	-	-	-
Electricity (kwh per household per month)	50	50	50	50	50	50
Refuse (average litres per week)	-	-	-	-	-	-
Revenue cost of free services provided (R'000)						
Property rates (R15 000 threshold rebate)	-	-	-	-	-	-
Property rates (other exemptions, reductions and rebates)	-	-	-	-	-	-
Water	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Electricity/other energy	2,000	2,000	2,000	2,000	2,000	2,000
Refuse	-	-	-	-	-	-
Municipal Housing - rental rebates	-	-	-	-	-	-
Housing - top structure subsidies	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenue cost of free services provided (total social package)	2,000	2,000	2,000	2,000	2,000	2,000

(b) SDBIP

The Municipal Finance Management act provides that the Mayor of the municipality must 28 days after the approval of the budget submit to the Council the SBIP it is against this legislative provision that the SDBIP will be submitted to provincial treasury after the Mayor has tabled it before the Council.

Circular 58 requires a municipality to account for service levels for all households within the municipal area, including services that are not provided by the municipality, it further provides that the total households for each service must be the same as the total number of households in the municipal area. It must be noted that the Jozini municipality has been unable to fully comply with this requirement given the current challenge of non - availability of reliable information as required by the circular from other service providers such as Eskom currently providing the electricity function and the District municipality providing the water and sanitation function. The municipality has sought to accurately account accurately for services that they are currently responsible for which includes property rates and refuse removal, however the total household for each service does not reconcile fully with that of household in the municipal area as the services being provided have not yet been extended to all households ,this is a gradual and long term

process which is also dependent of the available financial resources to extent the services to all households.

15. Operating Revenue Assumptions

(a) Property Rates

When compared to the previous financial years the property rates appear to be inconsistent over the period 2010/11 to 2013/14 showing a fluctuating trend from R8,6 million in 2010/11 to R10.1 million in 2011/12 and thereafter a decrease of to R7,5 million in the 2012/2013 original budget. The inconsistent and fluctuating trend was mainly due to the prior year budget for property rates being based on the actual collected revenue instead of billed revenue, This trend has since been addressed where the 203/2014 property rates budget is now based on the billed revenue as well as the revenue foregone which is made up various rebates and exemptions as per the Municipal Property Rates policy and as reflected on the Tariff of charges attached as annexure A. The current valuation roll has been used to calculate property rates income this is given the fact that the Jozini Local Municipality will only implement the new General Valuation during the 2014/2015 financial year as per the approval granted by the MEC responsible for Local Government to extent the validity of the current General Valuation.

The property rates has been increased by 5,6% as per the National Treasury Guideline, this increase has been applied to the rate randage as per the approved tariff of charges for the 2013/2014 financial year, workings in this regard are contained in the budget workings attached as annexure A.

(b) Service Charges Refuse

The inconsistent trend reflected noted in the projections over the period 2011/2012 to 2012/2013 which reflects an increase from R1,6 million in 2010/11 to R2 million in 2011/12 and a decrease from R2 million to R600,000 in the 2012/13 financial year. The inconsistent trend has been a result of incorrect budgeting for service charges where the service charges have not been based on the number of households against the applicable tariff. This trend has since been addressed during the 2013/2014 financial year where the service charges have been calculated using the number of households per respective category against the applicable tariff for the respective category. The substantial increase from R600,000 in the 2012/2013 financial year to an amount R3,492,922 in the 2013/2014 financial year is also a result of the new tariffs categories that have also been introduced for various group as reflected on the approved tariffs of charges for the 2013/2014 financial year, The existing tariffs of R150 per household has been increased by the 5,6% national treasury CIPX guideline.

(c) Rental of Facilities

The rental of facilities income has increased from R835, 778 to R869,189 during the 2013/2014 financial year a trend appearing to be slightly higher than the previous financial year rental income, The increase is a result of correct budgeting for rental

income which takes into account the number of facilities currently being rented out by the municipality against the monthly rental per facility as reflected on the service level agreements against the Tariffs of charges for rental income. The Rental rates have also been increased by 5,6% during the 2013/2014 financial year.

(d) Interest Earned on Outstanding Debtors

The municipality has budgeted for an increase of 5,6% on the interest of outstanding debtors, however as previously stated the municipality has put in place several initiatives to enhance the revenue collection process.

(e) Interest earned on Investments

The Municipality has budgeted for an amount of R4, 710,000 for the 2013/2014 which is based on the interest income from various short term deposits resulting in income sources such as the R25,million for the unspent grants as well as other short term deposits as reflected on Table SA16, The increase is based on an average of 5,6% which is the percentage return from the various investment entities.

(f) Fines

The Municipality has budgeted an amount of R344,000 for fines during the 2013/2014 financial year an increase of R144,000 from the 2012/2013 adjustment budget, the fines budget has increased substantially from the previous 2011/2012 budget as result of the recent construction of the traffic office which has increased the accessibility by the public to settle their fine timeously, this increase is further as a result of the new category of fines namely impounding of loitering cattle which is as reflected on our tariffs of charges.

(g) Licences & Permits

The Municipality has budgeted an amount of R387, 861 for Licenses s during the 2013/2014 financial year an increase of 5,6% from the 2012/2013 adjustment budget, the licences and permits budget is based on the collection of licenses fees from the learners license centre.

(h) Transfers Recognized Operational

The municipality has budgeted for transfers recognized operational amounting to R89,025,000 during the 2013/2014 financial year and which is made of up allocations from the equitable share, financial management grant, MSIG, EPWP as well as provincialisation of libraries grant. an increase from R78,348,000 during the 2012/2013 financial year which is largely based on an increase in these national and provincial allocations,.

(i) Other Revenue Sources

The Municipality has budged for an amount of R2, 098,348 for other revenue sources during the 2013/2014 financial year an increase from R1, 925,876 in the 2012/2013 adjustment budget. The other revenue sources are reflected on table SA1

16. Operating Expenditure Assumptions

(a) Employee Related Costs

The employee related costs have overall increased by **R1, 246,000** during the 2013/2014 financial year an increase which has been a result of the 6, 85% salary increase as pronounced by SALGA, the creation of key new vacancies to respond to the ever growing demands for the provision of services to the poor as well as the requirement to align the organisational arrangements and requirements to the Powers and Functions as allocated to the Jozini Local municipality not of course leaving out the well provision of 6,4% provision for the councillors remuneration since the MEC has not any pronouncement on the increase of councillors remuneration. The total salary budget as a percentage expression is 21% of the overall budget including capital expenditure and 37% against the total operating budget. details of the employee related costs are further outlined SA 22,23 & 24

(b) Debt Impairment

The Municipality has since revised the debt impairment from the initial R739, 000 during the 2013/2014 draft budget to increase to R2, 000,000 in order to cater for the current debtor's book of R35 million as reflected in our statement for financial position as reflected on table A6. The municipality will consider intensifying the debt collection efforts in order to substantially reduce the debtor's book as well as strike the balance of making sufficient provisions for outstanding debts in a particular period.

(c) Depreciation & Asset Impairment

The municipality had initially budgeted for an amount of R535, 000 for the depreciation and asset impairment during the 2013/2014 draft budget however in line with the comments received from Provincial Treasury assessment the depreciation and asset impairment has subsequently increased to R1,000, 000 in an effort to gradually address the additions to capital assets during the 2012/2013 financial year. The municipality will continue to gradually address adequate budgeting for depreciation.

(d) Contracted Services

It must be pointed that over the years the contracted services have not been consistent, they have fluctuated from R1, 6 million in 2012/2013 Original budget to R3, 4 million in 2012/2013 budget adjustment and are further budget to increase to R5,8 million during the 2013/2014 financial year, this increase is largely due to the implementation of various expenditure programmes such as the implementation of the outcomes of the forensic audit investigation, implementation of the valuation roll, provision of retainer support services for the maintenance of the asset register , security services and other important institutional requirements such as PMS, human resources system and maintenance of the Spatial development framework, details of the various services are reflected on supporting table SA1.

(e) Transfers and Grants

The municipality has budgeted for transfers recognized operational amounting to R4,3 million R2 million being the contribution to the free basic electricity in the form of monthly tokens being issued to poor households and R2,3 million non-cash items in the form of phasing in of discounts for property rates categories .

(f) Other Expenditure

The municipality has budgeted for the total other expenditure to the value of R57, million during the 2013/2014 financial year a substantial decrease from the R93, million budgeted for during the 2012/2013 financial year a figure which was inflated by incorrect classification of the expenditure categories which has subsequently been corrected during the 2013/2014 financial year. The details of the total other expenditure have been adequately captured in table SA1

17. Capital Expenditure Funding Sources Assumptions

(a) Transfers Recognized Capital

The capital budget for the 2013/2014 financial year will total R55, million a reduction of R11 million rand from the draft budget as a result of the reduction in the Electrification Capital Transfer from R20 million to R9 Million during the 2012/2013 financial year.

The capital expenditure emphasis for the 2013/2014 financial year remains building an rehabilitating of community infrastructure such as taxi ranks, community centres, multi-purpose centres and roads which is to be funded primarily from the MIG grant and electrification of rural households to be funded from the National electrification grant. An amount of R10 million has been set aside as phase 2 of the construction of the Multipurpose town hall which is to include Executive and Council office accommodation, council chamber a 1500 seater Conference Hall which will attract the hosting of many conferences national and international conferences from neighbouring countries such as Swaziland and Mozambique an initiative which is anticipated to create economic spin offs in sectors such as tourism since conferencing activities also increases a demand for accommodation for delegates attending such conferences , The town hall is being designed to be converted to also cater for indoor sporting activities etc. The construction process will be phased in over the MTEREF.

(b) Internally Generated Funding

The capital expenditure that has been funded from internally generated funds amounts to R10, million for the 2013/2014 financial year a slight decrease from the 2012/2013 budget, this expenditure is expected to be reviewed during the budget adjustment budget process where it is anticipated that the debt collection process will result in additional revenue available to fund the much needed infrastructure requirements and subsequently address the vast backlogs of infrastructure in our communities. The municipality will continue to strive to strike a balance between community infrastructure and revenue generating infrastructure as well as investing in carefully managing the existing infrastructure assets through the adequate provision of the repairs and maintenance budget.

18. Capital Expenditure Assumptions

(a) Repairs and Maintenance

The municipality has budgeted for an amount of R8, 047,000 for repairs and maintenance which represents a 7% of the capital budget during the 2013/2014 financial year. This provision is an applaudable and significant increase 4 percent from the prior years. Although National treasury through circular has indicated that the municipalities who had received a qualification on their PPE values should budget for at least 10% for repairs and maintenance , the municipality has start somewhere and we are of the view that the gradual annual increase and growth of the repairs and maintenance budget year after year has to be balanced with the many other budget priorities however the municipality remains committed in gradually and decisively making provisions in the MTREF for the active maintenance and upgrade of infrastructure will go a long way in improving the lifespan of our assets.

Various initiatives to address the maintenance of assets will be explored during the 2013/2014 financial year these will include development and implementation of a comprehensive asset management plans. The municipality has also appointed a dedicated asset management officer during the 2012/13 financial year whose responsibility will be to oversee the entire asset management function and ensuring that this function is not left to chance.

(b) Renewal of Assets

National Treasury has also indicated that a minimum of 40% of the capital budget should be for renewal as opposed to new infrastructure. It is important to however note that in the case of Jozini Municipality there exists enormous infrastructure backlogs where the municipalities is having to almost start from scratch in the provision of the infrastructure requirements, with the development of a comprehensive asset management plan it is anticipated that it will provide a clear directive in terms of identification of assets due for renewal ensuring that the renewal of assets is not a by chance initiative but one that is deliberate one informed by a long term strategic view.

MFMA Circular no 66 has highlighted the following examples of non-priority expenditures that should be eliminated:

- (a)** Excessive sponsorship of music festivals, beauty pageants and sporting events, including the purchase of tickets for events for councillors and officials
;
- (b)** Public relations projects and activities that are not centred on actual service delivery or are not municipal function e.g. celebrations, gala dinners, commemorations, advertising and voter education;

- (c) LED projects that serve narrow interest of only a small number of beneficiaries or fall within the mandates of other government departments such as the Department of Agriculture;
- (d) Excessive catering for meetings and other events, including the use of public funds to buy alcoholic beverages;
- (e) Arranging workshops and events at expensive private venues, especially ones outside the Municipality as opposed to using the municipality's own venues;
- (f) Excessive printing costs instead of maximising the use of the municipality's website, including providing facilities for the public to access the website;
- (g) Excessive luxurious office accommodation and office furnishings;
- (h) Foreign travel by mayors, councillors and officials, particularly study tours;
- (i) Excessive councillor and staff perks such as luxurious mayoral cars and houses, notebooks, IPADS and cell phone allowances and travel and subsistence allowances;
- (j) Excessive staff in the office of the Mayor particularly the appointment of political advisors and spokespersons;
- (k) Costs associated with long-standing staff suspensions and the legal costs associated with not following due process when suspending or dismissing staff as well as payment of severance packages or 'golden handshakes' ;
- (l) The use of consultants to perform routine management tasks and the payment of excessive fees to consultants.

National Treasury is also informing councillors, municipal employees and rate and tax payers that the municipality must concentrate their spending effort on services that are meaningful and indulgent. In other words this should be a direct service budget aimed at the people who live in municipalities and not the municipalities themselves.

19. Tariff Implications of the Annual Budget

(a) Refuse Tariff

The refuse tariff will be increased by **5,6%** for both domestic and business consumers.

(b) Minor Tariffs

Minor Tariffs will be increased by **5, 6%** on average unless specifically reflected in the tariff book.

(c) Assessment Rates

The increase in the rate randage will be **5,6%** for all property categories.

(d) Assessment Rates rebates

The current rebate as per the rates policy will continue to be applicable.

20. Conclusion

The 2013/2014 budget for the Jozini Municipality is in line with the dictates of the National Treasury guidelines and will continue to strive for financial prudence in the management of the financial affairs on day to day basis.

PART 2 SUPPORTING DOCUMENTATION

21. Section 5-Overview of the annual budget process

(a) Annual Planning Processes

The entire budget process is currently a scarce resource allocation exercise as opposed to an proper planning exercised this is given the constrained economic conditions that the municipality is operating under resulting in absolute dependence on National transfers for sustainability as opposed to a more viable approach of own revenue sources. The current operating budget is driven totally on the premise of cash flow and consumer affordability. The cash basis which we follow means we cannot cut salaries and other essential expenditure priorities which makes the municipality to function. We have sought to prioritise repairs and maintenance to ensure adequate maintenance of infrastructure.

(b) Budget process

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling in council by the Mayor prior to the end of August 2012 as required followed by strategic planning session by council and senior management in **November 2012** and budget steering committee meetings to consider the draft budget submissions and make necessary inputs.

The draft budget was tabled in Council on the **28th March 2013**. A period of consultation then to be followed as per the dictates of sections 22 and 23 of the MFMA. At the culmination of the process the Mayor must consider any representations and decide if any amendments should be made to the budget. An extensive public consultation process took place during the months of **April and May 2013** and concluded by the IDP representative forum and budget steering committee meetings which were held on the **31st May 2013** to consider inputs received from the consultation processes as well as further and final consideration of budget priorities versus the realistic available resources and change in national and provincial priorities. The Final budget was tabled at the Executive and Council Meeting held on the **5th June 2013** for final consideration and approval

22. Section 6-Measurable Performance Objectives and Indicators

The Municipality's budget is prepared on a three year basis, this takes into account the National and Provincial three year allocations to the municipality and to ensure optional financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request Local government to highlight their projected increases over the next 3 years to give some certainty to consumers.

The municipality will set our measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This will be done in the form of quarterly service delivery targets and budget implementation plan (SDBIP). The plan will be agreed by the Mayor within 28 days of approval of final budget and will form the basis for the Municipality's monitoring.

23. Section 6-Overview of Alignment of the Annual Budget with the IDP

(a) Introduction

Municipalities are required to develop the five year IDP which must be reviewed annually. It is also required that such plans must find expression in the budget. The IDP and the budget are inter-related documents. The dip is the budget in other words. Just as the budget is the IDP in figures. Comprehensive efforts are currently being made to ensure that the two documents are closely link through the review and revision process and it is anticipated that the final budget will represent a much more aligned IDP and budget. The attached IDP was subsequently reviewed to respond to the needs and challenges of the Jozini Community

(b) Key Challenges facing Jozini Local municipality

Jozini municipality is faced with a complex set of development challenges; our outlook is facing local government but of course with some our own peculiarities:

i. Sustainable Infrastructure Investment

The continued growth of the town has put a lot of pressure on infrastructure. That growth which cannot simply be stopped will continue at a rate which the municipality is battling to match financially.

ii. Focused development of the previously disadvantaged

The poorest communities in our areas are subjected to the worst living conditions and the municipality has committed itself towards poverty alleviation. Programmes with clear funding intentions are being designed for that purpose.

iii. Integrated Town Establishment and Development

Access to land, still remains the challenge Council needs to devise creative strategies to deal with this matter. In line with that Council has engaged other spheres of government i.e.COGTA, Department of Public Works and Department of Transport

iv. The Challenge of promoting Economic Development

There remains a great need for the diversification of the local economy through facilitating the emergence of underperforming sectors is an important catalyst for economic development, which will focus on mainstreaming of previously disadvantaged people. Crucial to this is the need to work in partnership with relevant stakeholders in boosting employment and fostering SMME's in our recently revised SCM policies and strategies that have been tailored to support this challenge

v. The challenge of ensuring municipality financial viability

The municipality lives and dies by the its ability to balance needs with resources and Jozini LM cannot currently generate sufficient resources to properly satisfy all its residents and stakeholder needs. Therefore those needs will have managed and dealt with in a financially sustainable manner. Promises of quick and easy solutions are simply lies.

vi. The challenge of municipal transformation and institutional development

Staff development is crucial to meet the challenges of Jozini and the requirements of local government. The Jozini municipality does not have the luxury of urban type of town arrangement given its geographical distance from both Primary and Secondary Cities and therefore our ability to attract suitably qualified and quality staff is severely limited. This therefore requires that the Municipality must offer slightly higher than the competitive salary packages to attract suitably qualified personnel which tend impact negatively on the salary threshold of the personnel.

vii. Public Participation

Public Participation is an important feature of any democratic environment, although the legislative environment provides adequately for public participation primarily through the ward committee system, the municipality is challenged to ensure that it continues to build on its successes over the last few years. The ward Committee budget has been increased from **R1, 200,000** in the 2012/2013 financial to **R2, 400,000** to ensure that public participation obtains the attention it deserves at the most micro level being the wards.

24. Section 7: Measurable Performance Objective an Indicators

Indicators and ratios

The Key financial indicators and ratios are disclosed in Supporting Table SA8 performance indicators and Benchmarks

25. Section 8: Overview of Budget Related policies

The detailed policies included in this section of the budget documentation see annexure A to this document for full policies. Policies are available at the Council offices for viewing as well as on the municipal website. This section gives a broad overview of the budget policy framework and highlights the amended policies to be approved by Council resolutions during the final budget.

NAME OF POLICY	TYPE OF POLICY	DATE OF ADOPTION	AREAS COVERED BY POLICY	SUMMARY OF CHANGES
REVENUE RELATED				
Tariff	Amended	05 June 2013	Setting criteria for establishing service tariffs	Introduction of various tariffs
Property Rates	Amended	05 June 2013	Setting criteria for establishing service tariffs	Minor Definitional
Credit Control & debt Collection	New Policy	Not Adopted	Principles and guidelines to be followed with respect to arrear consumer debt control	Minor Definitional
Indigent support & Social rebate	New Policy	Not adopted	Guidelines and procedures for the subsidisation of rates and basic services to indigent households	To be developed
OTHER FINANCE RELATED POLICIES				
Banking & Investment	Amended	05 June 2013	Guidelines of procedures to be followed when investing or lending money	Minor definitional
Budget & Budget Virement	Amended	05 June 2013	Sets our rules and procedures to be followed in the compilation and management of the budget	Minor Definitional
Supply Chain Management Policy	Not Amended	December 2012	Dictates procedures for the procurement of goods and services	N/A
Funding and reserves policy	New Policy	Not adopted	Dictates procedures and sets guidelines for financial viability	To be developed
Telephone Policy	New Policy	05 June 2013	Sets out rules and procedures for telephone and cellphone management	New Policy developed
Subsistence & Travelling	New Policy	05 June 2013	Sets out rules and procedures for S& T management	New Policy developed

26. Section 9- Overview of Budget Assumptions

26.1 Budget Assumptions

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. The revised headline CPI forecasts from National Treasury for **2013/2014, 2014/2015 and 2015/2016 are 5.6%, 5.4% and 5.4%** respectively. The growth parameters apply to tariff increases, property rates, user and other charges raised by the municipality to ensure that all spheres of government support national macroeconomic policies.

National Treasury has announced that local increases must be in line with the CPI forecasts and that salary increases of only **6.85%** should be budgeted for . NT has also communicated that any rate or tariff increase **above 6%** must be fully communicated to the community.

27. Section 10: Overview of Budget Funding

Section 18(1) of the MFMA states that the annual budget may only be funded from

- Realistically anticipated revenues to be collected
- Cash backed accumulated funds from previous year's surpluses not committed for other purposes; and
- Borrowed fund, but only for the capital budget

Achievement of this requirement in totality effectively means that Council has balanced its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Table 8: Cash backed /accumulated surplus reconciliation and supporting table SA10: Funding Measurement.

Fiscal Overview of Jozini municipality

Jozini municipality has over the recent years remained relatively financially stable. Continuous efforts are made to comply fully with the MFMA and other legislations directly affecting financial management .The municipality has now for 2 years in a row received a qualified audit opinion primarily due to asset register related queries, the switch over to GRAP has had huge ramifications not least amongst the professional staffing at the local government level. Jozini municipality cannot afford salaries that are prerequisite to GRAP due to the inability to attract the suitably qualified accountants at the skill required by GRAP as well as given the current limitation as it relates to the geographical location of our municipality. It is therefore highly unlikely that qualified accountants are going to respond given the current salaries that we offer, however we remain committed to muddling through these deep waters the best way we know how in order to respond to the concerns raised by the AG regarding the skills levels of the BTO.

28. Section 11- Expenditure on Allocations and Grant Programmes

Disclosure on expenditure on allocations and grant programmes is done by way of Supporting Table SA 18: Transfers and grant receipts, supporting table SA19: Expenditure on transfers and grant programme and supporting Table SA20: Reconciliation of transfers, grant receipts and unspent funds

29. Section 12- Councillors Allowances and Employee Benefits

Refer to supporting Table SA22: Summary councillor and staff benefits and supporting Table 23: Salaries, Allowances & Benefits for further details. The salary increase for 2013/2014 for Manager, Staff and councillors is budgeted at 6, 85% on the original

30. Section 14: Monthly Targets for Revenue, Expenditure and Cash Flow

Disclosure on monthly targets for revenue, expenditure and cash flow is made in Annexure 2 in the following supporting tables

Monthly operating budget revenue and expenditure projections

Supporting Table SA25: budgeted monthly revenue and expenditure reflects consolidated projections of revenue by source and expenditure by type for the budget year broken down per month for the budget year, and shown in total for the following two years.

Supporting Table SA26: Budgeted monthly revenue and expenditure (municipal vote) and Supporting Table SA27: Budgeted monthly revenue and expenditure (standard classification) reflects revenue and expenditure broken down per month for the budget year, shown in total for the following years

Monthly Capital budget revenue and expenditure

Supporting table SA28: Budgeted monthly capital expenditure (municipal vote) and supporting table SA29 budgeted monthly capital expenditure standard classification show capital expenditure broken down for the budget year and shown in total for the following two years.

Monthly Cash flow projections

Supporting table SA30: Budgeted monthly cash flow sets out receipts by source and payment by type for both operating and capital broken down for the budget year and shown in total for the following two years.

Budgeted households accounts

Supporting Table SA14: Household bills compiles the data for the monthly budgeted account for household income analysis per small and large household.

Property Rates information

Supporting Table SA11: Property rates summary contains the Property rates summary with all statistic data and supporting tables SA12 and SA13 Property rates by category

current and budget year reflect the current and budgeted year's expected data for property Rates by Category.

31. Section 15: Service Delivery & Budget Implementation Plan

Adoption of the SDBIP

In terms of section 53 (1)(c) (ii) of the MFMA the SDBIP must be approved by the Mayor within 28 days after the final approval of the budget and must contain monthly projections of income and expenditure and quarterly projections of measurable performance objectives. Annual targets are still to be confirmed and these will be included in the final budget documentation and SDBIP.

32. Section 16: Legislation Compliance Status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities including progress made or delays experienced in implementation, this will be done in detail during the final budget. But in a nutshell the following are pieces of legislation that we are required to comply with

- Municipal Finance Management Act 56 of 2003
- The Division of Revenue Act 2010 and Provincial Budget Announcements
- The Municipal Systems Act 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003.

33. Section 17: Contracts Having Future Budgetary Implications

None for the Jozini local municipality

34. Section 18: Capital Expenditure Details

As already articulated above

35. Section 17: Other Supporting documentation

Other supporting documentation includes policies, IDP and the performance management framework.

36. Section 21: municipal manager's quality certification

This section includes the Municipal Manager's quality certificate which has been signed by the Municipal Manager certifying the budget and the related budget documentation.